

No securities commission or similar authority in Canada has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence.

AR48

New and Secondary Offering

AQUACARE INTERNATIONAL LTD.

(Incorporated under the laws of British Columbia)

360,000 SHARES

without nominal or par value

Of the shares offered hereby 60,000 are outstanding shares owned by the Underwriter referred to on Page 6 hereof under the heading "Plan of Distribution" and no part of the proceeds thereof will be received by the Company. There is no market for the shares of the Company.

Transfer Agent and Registrar

Guaranty Trust Company of Canada

Vancouver, Toronto, Montreal and Halifax

PRICE: \$3.25 PER SHARE

	Price to Public	Underwriting Discount(1)	Proceeds to Company(2)	Proceeds to Underwriter
Per Share	\$3.25	\$0.32½	\$2.92½	\$3.25
Total	\$1,170,000	\$97,500	\$877,500	\$195,000

- (1) As additional consideration for underwriting the shares of the Company, three shareholders transferred a total of 60,000 shares of the Company owned by them to the Underwriter.
- (2) Before deducting expenses estimated not to exceed \$25,000, which are to be payable as to approximately \$23,000 by the Company and as to approximately \$2,000 by the Underwriter.

THESE SECURITIES ARE CONSIDERED AS SPECULATIVE

We, as principals, offer these shares, subject to prior sale, if, as and when issued by the Company and accepted by us, and subject to the approval of all legal matters on behalf of the Company by Cumming, Bird, Richards, Macaulay, Hardinge, Underhill & Heather, of Vancouver, British Columbia, and on our behalf by Messrs. Solomon, Singer & Solway, Toronto, Ontario.

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that definitive share certificates will be available for delivery in Vancouver, Toronto, Montreal and Halifax on or about November 22, 1968.

N. L. SANDLER & CO. LIMITED

Toronto

October 15, 1968.

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THE COMPANY

Aquacare International Ltd. (hereinafter sometimes called the "Company") was incorporated as a private company on July 19, 1966 under the Companies Act of the Province of British Columbia by the registration of its Memorandum of Association and Articles of Association. The Memorandum of Association has been amended from time to time, including an amendment dated October 9, 1968, converting the Company from a private company to a public company and modifying and increasing its capital to 3,000,000 shares without nominal or par value, of which 1,318,334 shares are presently issued and outstanding as fully paid and non-assessable.

Subsidiary

As of October 10, 1968, the Company acquired all of the issued and outstanding shares without nominal or par value in the capital of Aquacare Water Purifiers Ltd., a company incorporated under the laws of the Province of British Columbia on May 24, 1966.

The head and principal office of both the Company and its subsidiary is at 535 Thurlow Street, Vancouver 5, British Columbia.

Water Pollution — Generally

Water has been defined to be polluted when we cannot safely drink it, wash with it, or spray it on crops; when impurities make it unpleasant for swimming or boating or unsuitable for use in factories, and whenever its taste, smell or colour offends us or spoils it for our use or enjoyment.

Water pollution endangers health, and reduces property values by impairing the appearance and usefulness of our lands and beaches.

Discharge of untreated sanitary and industrial waste into any water course, particularly in the immediate discharge area, renders that water course unusable for practically all purposes. A serious pollutant in our waterways today is human waste. This is a result of rapidly growing concentrations of human populations putting an increasing strain on already overloaded treatment facilities.

To prevent this condition there are sewage treatment plants or water pollution control plants for the treatment of sanitary or domestic wastes and means for treating most industrial wastes. Pollution of water courses primarily can be prevented by eliminating all waste discharges. One of the chief means of pollution abatement is adequate sewage disposal facilities.

The rapid post-war growth of both population and industry caught many communities unprepared. More bathrooms, more airconditioners, more automatic washing machines and many more factories meant that while the population was merely doubling, its water demands were tripling. With all this, our waters, both underground and surface, become more and more polluted. Considering the United States and Canada as a whole, it has been estimated that fully one-fourth of all communities have no sewage treatment facilities at all. They discharge raw sewage into lakes and rivers.

Sewage treatment plants designed for villages had to serve cities. Water mains designed to serve hundreds had to meet the needs of thousands. New factories proved to have colossal thirsts. To make a ton of steel for example, can take as much as 70,000 gallons of water. Nearly 200,000 gallons of water are used in some paper mills to make a single ton of newsprint. Effluent from a single large paper mill can be as great as that from a city of 200,000 people. Ten gallons of water are used to produce a gallon of gasoline.

Until such time as the causes of water pollution have been overcome, many private domestic users as well as the operators of hotel, camp, and other public facilities, face serious health and financial problems.

Business

The Company and its predecessor devoted most of their time to research and engineering to develop the "Aquacare" home automatic water purification system. They developed an instrument which employs the use of

ultra-violet rays to sterilize water. It is installed on the main water line of the dwelling thereby treating all water coming into the dwelling automatically. The system has received Canadian Standards Association approval. Models, which are now ready for production, range in capacity from 150 gallons per hour to 500 gallons per hour, and will sell at retail at prices ranging from \$199. to \$399. a unit.

Although since 1898 ultra-violet has been recognized as effective in killing bacteria in water, it only recently gained wide acceptance when Westinghouse and General Electric perfected an ultra-violet tube that could perform under most water conditions. As a result of research done in the field, it has been established conclusively that under proper conditions the ultra-violet method of sterilization is effective, automatic and capable of producing a better quality of water at lower cost.

What was required to satisfy the need for water purification for those situated in poor water districts was a system of safety controls and prior filtration in areas of high turbidity and suspended solids.

The Product

The Company developed and incorporated into its water purifier an electronic ultra-violet sensor to measure the intensity of radiation emitted from the ultra-violet tube. A proven safety valve was added to shut off the water supply. Should the tube or any other part of the instrument malfunction, the sensor triggers the valve, which automatically shuts off the water supply to the home. The exclusive world licensing rights to the patent for the shut-off valve are owned by the Company. The system further incorporates another patented invention owned by the Company which automatically cleans the ultra-violet tube to prevent the tube from becoming clouded thereby reducing the intensity of radiation. An electric module contains all electrical controls. Should any part of the electrical system fail, the entire module may be removed from the casing and replaced with a new one in minutes. To satisfy the requirement of prior filtration, a filter chamber was added incorporating a charcoal filter which polishes the water before it enters the sterilization chamber. Filtration through charcoal also improves the taste and odor of water. Other models have been designed with different filters for use in difficult water areas.

The Aquacare system provides for filtration and sterilization of water. It is simple to install and low in cost and maintenance. A tube is designed to burn twenty-four hours a day for ten to twelve months. Filtration requires minimum maintenance and is contingent upon regional water conditions.

Manufacture

The Company has established manufacturing facilities at 1648 West 2nd Avenue, Vancouver, B.C. These facilities provide adequate space required for manufacturing, assembling, testing, packaging and shipping its products, and all equipment necessary to carry out production to meet projected sales requirements. The Company owns all dies and moulds required to manufacture its products.

Sales and Markets

The Company has commenced the manufacture and sale of its household water purifiers. From its studies, the Company has found that the prime markets for the household units are small towns, villages and hamlets of up to 400 people or 100 homes, farm homes which depend on a self-supply of water, and resort areas. Houses located in these areas are for the most part void of any form of water treatment facilities. Generally they are not on any municipal system and must obtain their water supplies from dug-outs, empoundments, wells, streams, rivers or lakes. The Company has found that less than 5% of farm dwellings, cottages and resort areas have any form of water purification equipment. In some areas gravel and sand filtration is being used to treat impure water. This form of filtration however does not always remove bacteria from the water to accord with Canadian drinking water standards.

In the past, the only accepted method of water sterilization in use for homes, schools, tourist resorts and other water users in rural areas where water supplies were considered to be unsafe was chlorination. However the use of individual chlorinators for these purposes has not proven to be too successful or convenient because of the general inability of the average person to maintain the chlorination equipment in good working order and to make the periodic tests necessary to determine whether or not the equipment was continuously sterilizing. There has also been a general resistance to chlorination because of taste problems associated with it.

From September 1967 to July 1968, the Company conducted a test marketing program. The conclusion reached was that it would be best to establish a distributor-dealer organization throughout Canada and ultimately the United States with established dealers already selling products in the Company's prime market areas.

The Company has commenced distribution through two major distributors in Canada.

A three-year distribution agreement has been entered into with one distributor who is well established in the propane gas field. Under that agreement the Distributor agreed to purchase from the Company a minimum number of units each year, being 3,000 in the first, 6,000 in the second, and 12,000 in the third, representing total sales of 21,000 units or revenue of approximately \$3,150,000. This Distributor has been given the exclusive right to sell Aquacare products through propane gas dealers and major oil company outlets in Canada. Provision has been made under that agreement for the Distributor to progressively establish distribution throughout the prescribed outlets; to train personnel in sales, installation and maintenance, to stock adequate parts replacement and to warehouse the Company's products. The agreement provides that either party may cancel the Agreement upon giving to the other two weeks notice of its intention to do so. In the event of such cancellation, the Distributor commitment for purchases would thereby be limited to the number of units purchased to the cancellation date and the Company would be obliged to repurchase from the Distributor all the units and parts that the Distributor had on hand at that time.

The second Distributor is well established in the sale and distribution of hardware, plumbing, heating and electrical products throughout Western Canada. A formal distribution agreement is being finalized which will provide for exclusive representation in the above marketing fields.

The Company has reserved the right to sell its products through other distributors in other non-competing marketing areas.

Research and Development

The Company has made application under the Industrial Research and Development Incentives Act (I.R.D.I.A.) for a grant to recapture a portion of research costs expended from May 1967 to May, 1968. The application has received a favourable reception but no decision has yet been made by the Department of Industry.

The Company has already started its own water research and new product development centre in Vancouver. Five professional people are now permanently employed in this division and further expansion in staff and research projects are planned for the coming year.

The new product research in which the Company is now engaged is:

(a) A portable water purifier that will meet the requirements of travellers, sportsmen and combat troops. The design of the unit will be such that potable water can be produced from almost any water source. The unit will contain its own power source, be light in weight and small enough to easily fit in luggage or a soldier's pack.

(b) A unit designed to treat household septic tank effluent before dispersion. Operation will be automatic with self-cleaning features to eliminate owner contact. A prototype of this unit is now undergoing field testing. The basic unit will provide experience and technology for broader applications in this field for boats and commercial, industrial and municipal applications.

(c) A unit under research will be designed for mobile commercial and industrial applications, for permanent smaller municipal or stand-by water treatment plants, for mobile plants in disaster areas, and for use in mining, lumber or construction camps. The design concept will be on a modular basis to provide capacities of 100,000 to 1,000,000 gallons per day. The units will be fully self-contained and self-powered. Design variations will include units for truck mounting and for air and ground transport anywhere in the world.

Patents

(a) HARRISON PATENT

The Company owns the exclusive world licensing rights for the life of Canadian Patent Number 767,856, which issued on September 26, 1967. This invention relates to an apparatus for the ultra-violet sterilization of fluids in which the flow is controlled to ensure the effective use of ultra-violet rays to kill harmful bacteria. It also provides an automatic valve to shut off the water supply in the event of any form of malfunction. Applications for patent have been made in the United States of America and other countries. The consideration for acquiring the world licensing rights was \$38,000 and an obligation to pay a royalty based on the sales price of all products incorporating the patent.

(b) ROBERTSON PATENT

The Company is the owner of Canadian Patent Number 782,201 which issued on April 9, 1968. This patent relates to a lamp cleaning device and tube sealing apparatus. This device automatically, under the action of water moving back and forth longitudinally of the lamp, cleans it. The Company has applied for patents for this invention in the United States of America and other countries. The Robertson Patent was assigned to the Company by Dr. G. W. Robertson for a \$5.00 nominal consideration.

The Company also owns the trademark "Aquacare" which was registered at Ottawa on April 11, 1968, as Number 156,407. No separate consideration was paid for the trade mark, the cost having been included in the acquisition of the Harrison Patent. Reference is made to Page 9 under the heading "Management Interests".

PLAN OF DISTRIBUTION

Under a letter agreement with N. L. Sandler & Co. Limited, dated as of September 30, 1968, (hereinafter called the "Underwriting Agreement") the Company agreed to sell and N. L. Sandler & Co. Limited agreed to purchase, subject to the payment by the Company of a commission aggregating \$97,500, and subject to the further terms and conditions set out in the Underwriting Agreement, 300,000 shares of the Company for \$877,500 payable in cash against delivery of such shares, and by such Agreement N. L. Sandler & Co. Limited agreed to offer such shares to the public at the price of \$3.25 per share. As additional consideration to N. L. Sandler & Co. Limited for underwriting the shares of the Company, each of Messrs. Arthur S. Freeman and William V. Warren, and Gordon W. Robertson, M. D. agreed to transfer to N. L. Sandler & Co. Limited, for a nominal consideration, 20,000 shares of the Company owned by them or an aggregate of 60,000 shares, all of which are being offered by this Prospectus. The price of the shares offered hereby was established by negotiation between the parties to the said Agreement.

The shares offered by this Prospectus will be sold by security dealers registered in the respective Provinces in which they are offered for sale.

PROMOTERS

Arthur S. Freeman, Gordon W. Robertson and William V. Warren took part in the reorganization of the business of the Company and as such may be considered to be the Company's promoters. As stated on Page 9 of this Prospectus under the sub-heading "Management Interests", the Company paid to Corporate Development Ltd., a private company of industrial consultants, of which Mr. William V. Warren is a major shareholder and President, approximately \$23,000 in December, 1966. This sum was payment for actual costs incurred by that company to acquire an option to purchase the exclusive licensing rights to Canadian Patent Number 767,856, for the brand names "Hydropure" and "Aquacare", and for all research and engineering conducted under such brand names, and for an inventory of materials for construction of prototypes. Nothing has been received or is to be received by them as promoters for any assets acquired or to be acquired by the Company or its subsidiary.

USE OF PROCEEDS

The estimated net proceeds to be received by the Company from the sale of 300,000 of the shares offered hereby amount to \$854,500 and will be utilized as to approximately \$460,000 for the repayment of bank indebtedness and as to the balance to finance the manufacture of its products, the institution of an advertising

and sales educational campaign and the setting up of a water research and new product development centre in Vancouver. N. L. Sandler & Co. Limited is offering 60,000 of the shares being offered by this Prospectus and the proceeds from the sale of these shares will not be received by the Company.

CAPITALIZATION

Security	Authorized	Outstanding as at August 31, 1968	Outstanding as at October 10, 1968	Outstanding on completion of financing
Secured Bank Loan (1)		\$462,054.95	\$462,054.95	—
Shares without nominal or par value	3,000,000	10,000 (\$10.00)	1,318,334 (\$318,344)	1,618,334 (\$1,172,844)

NOTES:

- (1) The bank loans are secured by the guarantee of Messrs. Arthur S. Freeman, William V. Warren and Gordon W. Robertson.
- (2) No additional substantial indebtedness is now proposed to be created or assumed by the Company or its subsidiary. The Company and its subsidiary intend to secure future bank loans by a general assignment of accounts receivable and or a pledge of inventory.

DESCRIPTION OF SHARES

General

The capital of the Company consists solely of shares without nominal or par value. The shares are entitled to one vote per share; are entitled to dividends as and when declared by the board of directors; are entitled, upon liquidation, dissolution or winding up of the Company or distribution of its assets to receive such assets as are distributable to shareholders; and have no pre-emptive or conversion rights. The outstanding shares of the Company, including the shares hereby offered, are fully paid and non-assessable.

Dividends

The Company has not paid any dividends since its incorporation on July 19, 1966. There are no contractual restrictions on the payment of dividends on the shares of the Company. The payment of dividends will be determined on the basis of earnings, financial requirements and other relevant factors.

PRIOR SALES

In February 1968 the Company sold 9,900 shares (990,000 after subdivision) for a total consideration of \$9.90. In October 1968 the Company issued 318,334 shares for a total consideration of \$318,334. Reference is made to the sub-heading "Management Interests" on page 9 of this Prospectus.

Transfer Agent and Registrar

The transfer agent and registrar of the Company's shares without nominal or par value is Guaranty Trust Company of Canada at its transfer offices in the Cities of Vancouver, Toronto, Montreal and Halifax.

SHAREHOLDERS AND MANAGEMENT

Shareholders

To the knowledge of the Company, as of October 10, 1968, the shareholders of the Company who own of record or beneficially directly or indirectly, 10% or more of the outstanding shares without nominal or par value were:

Name and Address	Designation of Class	Type of Ownership	Number of Shares Owned	Percentage of Class
Arthur S. Freeman 6562 Churchill St., Vancouver, B.C.	Shares without nominal or par value	Beneficial and record	381,667	28.95%
William V. Warren 1165 West 48th Ave., Vancouver, B.C.	Shares without nominal or par value	Beneficial and record	381,667	28.95%
Gordon W. Robertson, M.D. 6809 Cambie Street, Vancouver, B.C.	Shares without nominal or par value	Beneficial and record	381,667	28.95%
Lora Holdings Ltd. 902, 900 West Hastings St., Vancouver, B.C.	Shares without nominal or par value	record	160,500	12.52%

As of October 10, 1968, the directors and senior officers as a group owned directly or indirectly 1,145,001 shares of the Company representing 86.85% of the outstanding shares. After the underwriting the directors and senior officers as a group will own directly or indirectly 67.04% of the then outstanding shares.

Of the 360,000 shares offered by this Prospectus, 60,000 shares will have been transferred to N. L. Sandler & Co. Limited as additional consideration for the underwriting from Messrs. Arthur S. Freeman (20,000), William V. Warren (20,000) and from Gordon W. Robertson, M.D. (20,000). After giving effect to such transfers and the underwriting, Arthur S. Freeman will own beneficially and of record 361,667 shares, William V. Warren 361,667 shares and Gordon W. Robertson 361,667 shares of the Company. The shares being offered by N. L. Sandler & Co. Limited constitute its entire holdings.

Voting Trust Agreement

By an Agreement dated August 9, 1968, and made between Arthur S. Freeman, William V. Warren and Gordon W. Robertson, the parties thereto, as the beneficial owners of what was then 96% of the outstanding shares without nominal or par value of the Company agreed inter alia that so long as they were shareholders of the Company they would each cast their votes for the election of the others to the Board of Directors of the Company. The Agreement was amended by an Agreement dated as of October 10, 1968, under the terms of which, for a period of five years from its date, the parties agreed to further cast their votes for the election of two nominees of N. L. Sandler & Co. Limited to the Board of Directors of the Company. The Agreement does not provide for a Voting Trustee.

Directors and Officers

The names and home addresses in full of all positions and offices held with the Company by, and the principal occupations within the five preceding years, of each of the directors and officers of the Company are as herein set forth:

<u>Name and Address</u>	<u>Office</u>	<u>Principal Occupation</u>
Arthur Sonny Freeman 6562 Churchill Street, Vancouver, B.C.	Chairman of Board and Director	Chairman of the Board; prior to July 1966, President of W. Freeman & Son Ltd., a lighting fixture manufacturer
Gordon Waldron Robertson, M.D. 6809 Cambie Street, Vancouver, B.C.	President and Director	President of the Company; prior to January, 1967 President of Calix American Corp., Director of Calix Mines Ltd.; practicing Physician and Surgeon
William Val Warren 1165 West 48th Avenue, Vancouver, B.C.	Vice-President, Secretary and Treasurer Director	Vice-President and Secretary of the Company; prior to June 1966 President of Corporate Development Ltd. President Vancouver Times Publishing Ltd., President National Outdoor Advertising Ltd.
Nathan Louis Sandler 1 Manitou Blvd., Toronto, Ontario.	Director	Investment Dealer N. L. Sandler & Co. Limited
Monte Cecil Beder 109 Glenayr Road, Toronto, Ontario.	Director	Investment Dealer N. L. Sandler & Co. Limited

Escrowed Shares

<u>Designation of Class</u>	<u>Number of Shares Held in Escrow as at October 10, 1968</u>	<u>Percentage of Class</u>
Shares without nominal or par value	1,085,001	67.04%

The said 1,085,001 shares without nominal or par value are to be placed in escrow with Guaranty Trust Company of Canada at or before the closing of the underwriting of the shares offered hereby, pursuant to an Escrow Agreement to be dated October 10, 1968. The Escrow Agreement will provide inter alia that the shares will not be released without the prior written consent of the Ontario Securities Commission and the Underwriter, and that no transfer, hypothecation or other alienation will be made within the escrow without the prior written consent of the Ontario Securities Commission or the Underwriter.

Remuneration

The aggregate direct remuneration paid or payable by the Company and its subsidiary to the senior officers of the Company was \$27,500 during the period December 1, 1967 to May 31, 1968, and was \$19,500 during the period commencing on June 1, 1968, and ended on September 30, 1968. No remuneration was paid to directors of the Company as such during either of the periods. For the year commencing from September 1, 1968, the Company and its subsidiary propose to pay the senior officers and directors of the Company approximately \$61,000.

No pension or retirement benefits are payable by the Company or its subsidiary to the directors and senior officers of the Company except under applicable Government pension plans.

Management Interests

The only directors and senior officers of the Company and the only shareholders named in the first paragraph on Page 7 hereof under the sub-heading "Shareholders" and the only associates or affiliates of any of the foregoing persons having any material interest, direct or indirect, in any transaction with the Company or its subsidiary, within the three years prior to October 15, 1968, or in any proposed transaction with such companies, are as follows:

(1) Mr. William V. Warren is the President and controlling shareholder of Corporate Development Ltd., industrial consultants. In December, 1966, the Company paid to Corporate Developments Ltd. that company's costs amounting to approximately \$23,000 incurred to investigate, negotiate and secure an option to purchase the exclusive licensing rights to a water purification system, the use of the names "Aquacare" and "Hydropure", all research and engineering data, and inventory on hand as well as the exclusive licensing rights to Canadian Patent Number 767,856, dealing with ultra-violet sterilization apparatus.

(2) Messrs. Freeman, Warren and Robertson owned collectively 555,003 common shares of Aquacare Water Purifiers Ltd., of a total of 955,003 shares outstanding. By an agreement dated as of October 10, 1968, the Company acquired all of the issued and outstanding shares of that Company for a total purchase price of \$318,334. In payment therefor the Company issued and allotted to the shareholders as fully paid and non-assessable one share for each three shares of Aquacare Water Purifiers Ltd. outstanding or a total of 318,334 shares of the Company.

(3) Nathan L. Sandler is President and a shareholder of N. L. Sandler & Co. Limited and as such is interested in the Underwriting Agreement referred to on Page 6 hereof under the heading "Plan of Distribution".

(4) Monte C. Beder is Vice-President and a shareholder of N. L. Sandler & Co. Limited, and as such is interested in the Underwriting Agreement referred to on Page 6 hereof under the heading "Plan of Distribution".

MATERIAL CONTRACTS

During the two years prior to October 15, 1968, the Company and its subsidiary entered into the following material contracts in addition to contracts in the ordinary course of their respective businesses:

(1) The Underwriting Agreement dated as of September 30, 1968, entered into by the Company and others with N. L. Sandler & Co. Limited, as referred to on Page 6 under the heading "Plan of Distribution".

(2) The purchase agreement dated as of October 10, 1968, pursuant to the terms of which the Company purchased all of the issued and outstanding shares of Aquacare Water Purifiers Ltd., as referred to on this page under the sub-heading "Management Interests".

(3) The licensing agreement dated October 31, 1966, made inter alia between James W. Harrison and Raymond N. Foxgord as Licensors, and the Company, as Licensee, under the terms of which the Company acquired the exclusive world licensing rights to the Harrison Patent for the life of the patent, referred to on Page 5 under the sub-heading "Harrison Patent". The Company, as Licensee is obliged to pay a royalty based on the net selling price on all licenced articles, all as in the agreement defined, made, used, sold or leased by the Company.

(4) A sub-licensing agreement dated September 23, 1968, under the terms of which the Company granted to its subsidiary the exclusive right to market the Company's products in Canada.

(5) The Distributor Agreements referred to under the sub-heading "Sales and Markets" on Page 4 of this Prospectus.

(6) The opinion of Geo. Ovens, F.C.A. as to the value of the patents and licensing rights referred to in Note 4 of the "Notes To The Financial Statements" on Page 14 of this Prospectus.

Copies of the said contracts and opinion may be inspected during ordinary business hours at the head office of the Company, Suite 102, 535 Thurlow Street, Vancouver 5, British Columbia, while the shares offered by this Prospectus are in the course of primary distribution to the public and for a period of thirty days thereafter. A copy of the said opinion may also be inspected at the office of the Ontario Securities Commission, 123 Edward Street, Toronto, during ordinary business hours.

PURCHASERS' STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

The Securities Act, 1966 (Ontario) provides, in effect, that where a security is offered to the public in the course of primary distribution,

- (a) a purchaser will not be bound by a contract for the purchase of such security if written or telegraphic notice of his intention not to be bound is received by the vendor not later than midnight on the second business day after the prospectus or amended prospectus offering such security is received or is deemed to be received by him or his agent, and
- (b) a purchaser has the right to rescind a contract for the purchase of such security, while still the owner thereof, if the prospectus and any amended prospectus offering such security contains an untrue statement of a material fact or omits to state a material fact necessary in order to make any statement therein not misleading in the light of the circumstances in which it was made, but no action to enforce this right can be commenced by a purchaser after the expiration of 90 days from the later of the date of such contract or the date on which such prospectus or amended prospectus is received or is deemed to be received by him or his agent.

Reference is made to the aforesaid Act for the complete text of the provisions under which the foregoing rights are conferred.

AUDITORS

The auditors of the Company are Messrs. Touche, Ross, Bailey and Smart, Chartered Accountants, 580 Granville Street, Vancouver, B.C.

ADDITIONAL INFORMATION

There are no material facts relating to the Company or its subsidiary not disclosed in this Prospectus.

Dated: October 15, 1968.

AQUACARE INTERNATIONAL LTD.

BALANCE SHEET AND PRO FORMA CONSOLIDATED BALANCE SHEET

After giving effect to the Transactions in Note 1

As at August 31, 1968

Assets

	August 31, 1968	Pro Forma (Note 1) August 31, 1968
Current:		
Cash	\$ 35.17	\$ 446,652.35
Accounts receivable	—	1,859.42
Inventory, at cost which is below replacement cost	—	43,567.51
	<u>35.17</u>	<u>492,079.28</u>
Fixed, at cost (Note 2):		
Furniture and equipment	—	2,892.57
Leasehold improvements	—	5,144.57
Dies and molds	—	12,165.30
Small tools	—	607.95
	—	<u>20,810.39</u>
Product development costs deferred (Note 2)	—	306,227.91
Patents and licencing rights (Notes 2 and 3)	627,604.70	1,000,000.00
Organization expense	—	500.00
	<u>\$ 627,639.87</u>	<u>\$ 1,819,617.58</u>

Liabilities

Current accounts payable	\$ —	\$ 19,168.88
Advance to Aquacare Water Purifiers Ltd.	25.17	—

Shareholders' Equity

Capital stock (Note 4)	10.00	1,172,844.00
Excess of appraisal value of patents and licencing rights over cost (Note 3)	627,604.70	627,604.70
	<u>\$ 627,639.87</u>	<u>\$ 1,819,617.58</u>

The accompanying notes are an integral part of these financial statements.

On behalf of the Board:

G. W. ROBERTSON, Director

VAL WARREN, Director

AUDITORS' REPORT

To the Directors of Aquacare International Ltd.

We have examined the balance sheet and the pro forma consolidated balance sheet of Aquacare International Ltd. as at August 31, 1968, the balance sheet of Aquacare Water Purifiers Ltd. as at August 31, 1968 and the schedule of product development costs for the two years and five months ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheets present fairly the financial position of the two companies as at August 31, 1968; the accompanying pro forma consolidated balance sheet presents fairly the financial position of the companies as at August 31, 1968 after giving effect to the transactions set forth in Note 1 to the balance sheet; and the accompanying schedule of product development costs presents fairly the deferred expense incurred during the two years and five months ended August 31, 1968; all in accordance with generally accepted accounting principles applied on a consistent basis throughout the period.

Vancouver, B.C.
October 8, 1968.

TOUCHE, ROSS, BAILEY & SMART
Chartered Accountants.

AQUACARE INTERNATIONAL LTD.

NOTES TO THE FINANCIAL STATEMENTS

As at August 31, 1968

NOTE 1 — PRO FORMA TRANSACTIONS

The pro forma consolidated balance sheet gives effect at August 31, 1968 to the following transactions:

- (a) The increase of the authorized share capital from 10,000 common shares with no par value to 1,000,000 common shares with no par value by increasing the maximum selling price of its shares from \$1.00 to \$100. per share, subdividing the authorized and issued share capital into 1,000,000 shares with no par value and increasing the authorized share capital to 3,000,000 no par value shares.
- (b) The issue of 300,000 shares of common stock at \$3.25 each for cash applied as follows:
- | | |
|---|---------------------|
| (i) to repay bank loans and overdraft | \$462,054.95 |
| (ii) to provide working capital required for operations | 392,445.05 |
| Proceeds from issue | <u>\$854,500.00</u> |
| Gross proceeds 300,000 shares at \$3.25 | \$975,000.00 |
| Commission | \$ 97,500.00 |
| Legal and accounting fees | <u>23,000.00</u> |
| | <u>120,500.00</u> |
| | <u>\$854,500.00</u> |
- (c) The issue of 318,334 no par value shares to acquire all the issued and outstanding capital stock of Aquacare Water Purifiers Ltd. on the basis of one share of Aquacare International Ltd. exchanged for three shares of Aquacare Water Purifiers Ltd.
- (d) The consolidation of Aquacare Water Purifiers Ltd. in the accounts of Aquacare International Ltd.

NOTE 2 — DEPRECIATION AND AMORTIZATION OF FIXED ASSETS, PRODUCT DEVELOPMENT COSTS, AND PATENTS AND LICENCING RIGHTS

No provision has been made for depreciation of fixed assets, product development costs have been deferred and no provision has been made for amortizing licencing rights and patents.

NOTE 3 — PATENTS AND LICENCING RIGHTS

Patents and licencing rights held by Aquacare International Ltd. were valued by Mr. Geo. Ovens, F.C.A. of Elder, Donaldson & Crofts as at August 31, 1968 at \$1,000,000 on the basis of fair market value.

Under the terms of a sub-licencing agreement Aquacare Water Purifiers Ltd. was granted the Canadian rights to the patents. The directors of Aquacare International Ltd. have apportioned the fair market value of the patents between the two companies as follows:

Aquacare International Ltd.	\$627,604.70
Aquacare Water Purifiers Ltd.	372,395.30

As a result of the appraisal the recorded costs of patents and licencing rights as at August 31, 1968 was increased by an amount of \$627,604.70 which represents the excess of fair market value over cost.

NOTE 4 — CAPITAL STOCK

During the year ended May 31, 1968 the authorized capital of Aquacare International Ltd. was changed.

- (a) Original incorporation:
9,000 7% non-cumulative redeemable preference shares with a par value of \$1.00 each
1,000 common shares with a par value of \$1.00 each
- (b) On December 13, 1967 the Memorandum of Association was amended to change the common shares from par value to no par value.
- (c) On February 8, 1968 the Memorandum of Association was again amended to 10,000 common shares with no par value.

The details of the shareholders' equity section on the balance sheet are as follows:

	Balance Sheet	Consolidated Pro Forma Balance Sheet
Authorized:		
Balance Sheet		
10,000 common shares with no par value		
Pro Forma consolidated balance sheet		
3,000,000 common shares with no par value (Note 1(a))		
Issued:		
10,000 common shares	\$ 10.00	
1,000,000 common shares (Note 1(a))		\$ 10.00
300,000 common shares issued for cash (Note 1(b))		854,500.00
318,334 common shares issued for the shares in Aquacare Water Purifiers Ltd. (Note 1(c))		<u>318,334.00</u>
	<u>\$ 10.00</u>	<u>\$1,172,844.00</u>

NOTE 5 — MATERIAL COMMITMENTS AND AGREEMENTS

The Company is obligated to pay a royalty based on the sale price of all products incorporating the Harrison Patent.

NOTE 6

Subsequent to the date of the balance sheet the shareholders of Aquacare Water Purifiers Ltd. agreed to exchange their shares on the basis of 1 share of Aquacare International Ltd. for 3 shares of Aquacare Water Purifiers Ltd. at an issue price of \$1.00 per share.

AQUACARE WATER PURIFIERS LTD.

BALANCE SHEET AS AT AUGUST 31, 1968

Assets

Current:

Cash	\$ 54,172.13
Accounts receivable	1,859.42
Inventory of materials and supplies, at cost which is below replacement cost	43,567.51

99,599.06

Due from Aquacare International Ltd.

25.17

Fixed, at cost (Note 1):

Furniture and equipment	\$ 2,892.57
Leasehold improvements	5,144.57
Dies and molds	12,165.30
Small Tools	607.95

20,810.39

Product development costs, per attached schedule (Note 1) 306,227.91

Licencing rights (Note 4) 372,395.30

Organization costs 500.00

\$ 799,557.83

Liabilities

Current:

Bank loan, secured by shareholders guarantees	\$ 462,054.95
Accounts payable and accrued liabilities	19,168.88

481,223.83

Shareholders' Equity

Share capital:

Authorized

- 863,500 Class A common shares, no par value
- 136,500 Class B common shares, no par value, non-voting
- 100,000 5¼ % non-cumulative, redeemable, convertible shares with a par value of \$10.00 per share

Issued and fully paid

818,503 common shares Class A	\$ 956.50	
136,500 common shares Class B	136.50	1,093.00

Excess of appraisal value of licencing rights over cost (Note 4) 317,241.00

\$ 799,557.83

The accompanying notes are an integral part of these financial statements.

On behalf of the Board:

G. W. ROBERTSON, Director

VAL WARREN, Director

AQUACARE WATER PURIFIERS LTD.

NOTES TO THE FINANCIAL STATEMENTS

As at August 31, 1968

NOTE 1 — DEPRECIATION AND AMORTIZATION OF FIXED ASSETS, DEVELOPMENT COSTS AND INTANGIBLE ASSETS

No provision has been made for depreciation of fixed assets, product development costs have been deferred, and no provision has been made for amortizing licencing rights and patents.

NOTE 2 — MATERIAL COMMITMENTS AND AGREEMENTS

The company has entered into a royalty agreement in connection with a manufacturing licence granted by Aquacare International Ltd. Payments thereon have been waived by the licensor up to August 31, 1968. The minimum annual royalty payment is \$15,000.

NOTE 3

Subsequent to the date of the balance sheet the shareholders have agreed to exchange their shares for shares in Aquacare International Ltd. on the basis of one share of Aquacare International Ltd. for three shares of Aquacare Water Purifiers Ltd.

NOTE 4 — PATENTS AND LICENCING RIGHTS

Patents and licencing rights held by Aquacare International Ltd. were valued by Mr. Geo. Ovens, F.C.A. of Elder, Donaldson & Crofts as at August 31, 1968 at \$1,000,000 on the basis of fair market value.

Under the terms of a sub-licencing agreement Aquacare Water Purifiers Ltd. was granted the Canadian rights to the patents. The directors of Aquacare International Ltd. have apportioned the fair market value of the patents between the two companies as follows:

Aquacare International Ltd.	\$627,604.70
Aquacare Water Purifiers Ltd.	372,395.30

As a result of the appraisal the recorded costs of licencing rights as at August 31, 1968 on the books of Aquacare Water Purifiers Ltd. was increased by an amount of \$317,241.00 which represents the excess of fair market value over cost.

AQUACARE WATER PURIFIERS LTD.

SCHEDULE OF PRODUCT DEVELOPMENT COSTS

For The Period From June 1, 1966 to August 31, 1968

	Year Ended May 31, 1967	Year Ended May 31, 1968	Three Months ended August 31, 1968	Total
Advertising, market research and promotion	\$ 4,456.09	\$ 4,508.84	\$ 1,229.31	\$ 10,194.24
Auto and travel	6,769.75	19,971.66	6,441.80	33,183.21
Bank charges and interest	57.29	4,536.92	2,780.52	7,374.73
Salaries and benefits	16,823.40	49,970.55	11,082.36	77,876.31
Engineering, product research and consulting fees	17,639.62	52,380.43	18,305.70	88,325.75
Equipment lease rentals	1,066.47	2,246.03	528.63	3,841.13
Legal and audit	5,598.92	4,067.00	4,647.81	14,313.73
Miscellaneous	757.04	554.11	158.00	1,469.15
Office expense	2,469.64	4,678.78	1,006.63	8,155.05
Parts and supplies	1,768.54	22,540.16	12,402.98	36,711.68
Rent	4,256.10	9,031.05	2,696.90	15,984.05
Telephone and telegraph	2,163.00	5,299.48	1,336.40	8,798.88
	<u>\$ 63,825.86</u>	<u>\$179,785.01</u>	<u>\$ 62,617.04</u>	<u>\$306,227.91</u>

CERTIFICATE OF COMPANY

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by Part VII of The Securities Act, 1966 (Ontario) and the regulations thereunder, and by Part II of the Securities Act (Nova Scotia).

On behalf of the Board of Directors

G. W. ROBERTSON,

Chief Executive Officer

A. FREEMAN,

Director

VAL WARREN,

Chief Financial Officer

MONTE C. BEDER,

Director

Directors

(Signed) G. W. ROBERTSON

(Signed) A. FREEMAN

(Signed) MONTE C. BEDER

(Signed) N. L. SANDLER

(Signed) VAL WARREN

CERTIFICATE OF UNDERWRITER

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part VII of The Securities Act, 1966 (Ontario) and the regulations thereunder and by Part II of the Securities Act (Nova Scotia), and there is no further material information applicable other than in the financial statements or reports where required or exigible. In respect of matters which are not within our knowledge, we have relied upon the accuracy and adequacy of the foregoing.

N. L. SANDLER & CO. LIMITED

Per: (Signed) N. L. SANDLER

The following includes the names of all persons having an interest, directly or indirectly, to the extent of not less than 5% in the capital of N. L. Sandler & Co. Limited: Nathan Louis Sandler and Monte Cecil Beder.



AQUACARE INTERNATIONAL LTD.
VANCOUVER, BRITISH COLUMBIA

P R E S S R E L E A S E

February 1969

A Vancouver based Company, Aquacare International Ltd. has made an impressive entry into a new billion dollar industry, just around the corner, in the sale of water purification equipment for North America.

This Canadian development group privately financed nine years of research, and have now emerged as a strong contender for the big markets that exist in rural areas, where water pollution has become number one hazard to the health and welfare of people who must learn to survive under such conditions.

Villages, hamlets, farms, summer cottage owners, smaller commercial operators, and industrial firms, will be the prime users of this equipment.

Aquacare are pioneers in the field of ultra-violet treatment for contaminated water, which until recently could not be controlled for safe automatic consumer use.

The Company owns the exclusive rights to two patents, granted in Canada, and one patent granted in the U.S.A., in instruments design, and have patents pending in other foreign countries.

Their patents cover a method of monitoring the radiation emitted from an ultra-violet tube, so as the prescribed radiation strength needed to kill bacteria in water is maintained at all times; and a method of shutting down the water flow to the building or dwelling in the event of any form of malfunction.

The problem of keeping the ultra-violet tube or quartz sheath that surrounds the tube clean, without shutting down the equipment, was answered by a unique patented plastic disc that simply runs up and down the tube, or sheath, as water flows through the sterilization chamber. The significance of the above breakthrough in instrument design is profound, for the Aquacare system is completely automatic, operating 24 hours daily, requiring no more maintenance or servicing than an appliance. Aquacare have brought five models to market, ranging from 250 G.P.H. to 2,000 G.P.H. The consumer models are priced from \$199. for summer cottage, to \$369. for a home or farm. The industrial model is directed to larger hotels, motels, cafes, and commercial establishments requiring a flow capacity of 2,000 G.P.H., and will sell for under \$1,000. In-field marketing studies conducted in the four Western Provinces and Ontario, from a sampling of 69 rural communities, indicate an immediate

market potential of approximately 1,400,000 dwellings that require some form of water treatment.

Installations and testing have been carried out in these provinces, and distribution has commenced for Canada.

Marshall Wells Limited of Winnipeg, wholesale distributors of plumbing, electrical and heating supplies; and Superior Propane Limited of Don Mills, Ontario, are acting as the Company's distributors in Canada. Sales projections for Canada for the next five years are based upon a 1.8% sales penetration annually, or approximately 24,000 unit sales per year.

Orders for units received by Aquacare for production January 1969, exceed 800 units, and the next three months will run approximately the same quantity, which is well in excess of their minimum sales projected.

Manufacturing facilities have been established in Vancouver, where there is an assembly plant; an injection molding plant; machine shops; dies and tool division; and packaging and shipping facilities.

The Vancouver plant at its' present size is capable of producing up to 4,000 units per month. The injection molding division could supply all plastic chamber and plastic molded parts requirements for other plants now scheduled for installation in the U.S.A.

To date no plant, or distribution, has been organized in the U.S.A.

The Company has been negotiating with several interested industrial

groups for the establishment of similar industry in that country, where a great deal of interest has been shown to these products. The Company plans to have manufacturing facilities and distribution commenced in the U.S.A. prior to January 1970.

Employing a 1.8% annual sales penetration formula, and evaluating prospective markets for North America (Canada-U.S.A.-Mexico), the Company projects that in year two (1970) it can sell 89,200 units, and net after taxes \$1,317,000. These profits can be doubled progressively for years three and four.

Aquacare is not looking over its' shoulder, even though it has established a firm lead in this field. A substantial portion of their operating costs has been allocated to a continuing research and new product development program to further new product entries into the market in the next five years.

Their research division employs eight professional people, under the direction of the President of the Company, Dr. Gordon W. Robertson. Dr. Robertson was a practising physician and surgeon in British Columbia before entering the water purification fields.

Research division coordinator is Dr. David Free, Ph.D., C.Eng., A.M.I. Chem. E., P.Eng.

A joint-venture research program is now under way with the Dutch Philips Corporation of Eindhoven, Holland. Philips are carrying out research into the development of greater intensity ultra-violet tubes and

components. They are also the Company's principal supplier of tubes and other components.

Scientists have been exchanged between the two groups, with Dr. Thomas Holmes, Director of Philips and head of their lamp division research department, visiting with Aquacare in November of last year. The new products that are under development range from a small transistorized portable model, that can be used by armed forces in combat, to mobile plants capable of purifying 1,000,000 gallons of water per day. Other new model applications are planned for treating sewage effluent; municipal plants; mobile homes and trailers; and for pleasure boats. The Department of Industry, Ottawa, through their industrial development division has accepted Aquacare's application for research grants, to continue research into this field of water purification, and for the development of new product applications.

One of the strongest incentives this young Company has is the proven fact that ultra-violet is now recognized as the only agent that not only purifies water by killing bacteria, but also kills a number of known water borne virus.

Chlorine in the age of man is a comparative newcomer for water treatment uses, for it has only been in wide use for community water systems the past forty to fifty years.

With increased water contamination taking place at every walk of life, and no singular answer to arresting this plague upon mankind, water systems must receive even greater doses of chemicals to kill bacteria. As a result, in many cities throughout North America, the end product, water, has been killed.

In densely populated cities such as New York, Miami, Chicago, Los Angeles, the tap water tastes foul. Home owners subscribe and pay up to \$15. per month to buy bulk bottled water for drinking water purposes. An Aquacare unit installed in a home will offer a better quality of water with the added protection against contamination and virus.

Aquacare went 'public' December of last year, with an issue of 360,000 common shares @ \$3.25 each. The underwriting was well received by investors and the over-the-counter price per share rose to a remarkable \$17. by the end January 1969 - a period of less than six weeks.

The underwriting has been handled by N. L. Sandler & Co. Limited or Toronto, Investment Dealers.

Water pollution covers a wide area of applications. It has become the subject of debate by governments at all levels.

While water pollution debate continues, and no real solution is in the offing, Aquacare is going about its business of assisting humans and small enterprisers to learn to survive under contaminated water conditions.
